



Department of Energy

Washington, DC 20585

August 14, 1997

MEMORANDUM FOR

**HEADS OF HEADQUARTERS ELEMENTS
EXECUTIVE DIRECTOR, FEDERAL ENERGY
REGULATORY COMMISSION**

FROM:

**ELIZABETH E. SMEDLEY
ACTING, CHIEF FINANCIAL OFFICER**

SUBJECT:

Call for FY 1999 OMB Budget Requests

This memorandum provides guidance on the preparation of the Department's FY 1999 OMB budget submission. The guidance contained in the attached documents also reflects budget guidance and funding allowance in my memorandum dated August 6, 1997, subject: Funding Allowances for the FY 1999 Budget. Programs shall follow the funding guidance unless specified otherwise during the appeals process.

Energy and Water Development (EWD) funded programs will use the budget formats contained in the FY 1998 Congressional Budget. Although the EWD staff has not requested reporting format changes, the Department will continue to improve the overall quality and presentation of our budget material. Programs should be mindful that the Department will comply with the report language in the FY 1998 House of Representatives EWD Committee Report (H.R. 2203) to include all support service contracts in the program direction account regardless of whether support services are in support of a program line item or Federal FTEs in the program direction account.

The Department will support the Administration's full funding effort in our budget justifications and project data sheets by requesting advance appropriations rather than requesting full funding in a lump sum in the year the project begins, as was done in the FY 1998 Congressional request. Use of advance appropriations allows us to request, in the budget year, future funding to become available in the year it will be needed. Also, OMB has requested that the project data sheet format be modified to help streamline and eliminate redundancy in performance reporting required by the Federal Acquisition Streamlining Act, (FASA) Title V, and OMB Circular A-11, Part III, Planning, Budgeting, and Acquisition of Capital Assets. The revised data sheet is in a format that makes the cost and schedule data usable in a separate OMB A-11 performance report. Attachment D and the OMB Budget Chapter of the Budget

Formulation Handbook provides the specific guidance for full funding, the project data sheet, and performance reporting.

For FY 1999, the Government Performance and Results Act requires agencies to submit an Annual Performance Plan and Strategic Plan as part of their OMB budget submission. Programs are reminded that program budget request should be in support of these documents. Policy has the lead on preparing the annual performance plan and strategic plan, and will need your assistance in responding to these requirements.

The OMB budget process requires both draft and final budget submissions. Draft budgets are due to the Office of Budget on August 28, 1997, with final submission due by September 4. The Department will submit the budget to OMB on September 8, 1997. Program organizations are requested to transmit their draft non-classified budgets to the Office of Budget through e-mail (or hand carried diskettes) in addition to a hard copy submission. Electronic transmission will expedite review and analysis, and aide in developing a process for electronic transmission of the FY 1999 Congressional budget to Congress as directed by the House EWD 1997 Appropriation Bill Report. The Office of Budget will distribute copies to other Headquarters organizations such as Policy, Human Resources, and Field Management for joint staff review.

General questions concerning the attached budget guidance should be directed to Roy Craig (CR-132) on 202/586-3455. Questions concerning staffing should be directed to Tom Wheeler of the Staffing Management Branch on 202/586-3276. Other points of contact for supplemental budget exhibits are listed in the attached guidance.

Attachments

cc: Primary Budget Contacts

J. Sullivan

T. Wheeler

M. Newdorf

**DEPARTMENT OF ENERGY
FY 1999 OMB BUDGET SUBMISSION**

TABLE OF CONTENTS

Calendar of Events	Attachment B
Submission Checklist	Attachment C
General Guidance	Attachment D
FY 1999 Control Table	Attachment E

**DEPARTMENT OF ENERGY
FY 1999 OMB BUDGET SUBMISSION**

CALENDAR OF EVENTS

Aug 28	Draft OMB Budgets Due to Office of Budget
Sept 4	Final OMB Budgets Due to Office of Budget
Sept 8	DOE Submits FY 1999 Budget and Annual Performance Plan to OMB
Mid/late Sept	OMB Examiners Conduct Program Budget Hearings
Late Nov	OMB Passback Issued
Early Dec	Appeal Process
Mid/late Dec	Presidential Decisions on FY 1999 Budget Finalized
Early Jan 98	Budget "Page Changes" Due to CFO and OMB
Late Jan 98	Final FY 1999 Congressional Budget Due to CFO
Feb 3, 1998	DOE Transmits FY 1999 Budget to Congress

**DEPARTMENT OF ENERGY
FY 1999 OMB BUDGET SUBMISSION**

SUBMISSION CHECKLIST

<u>EXHIBIT</u>	<u>REFERENCE: HANDBOOK</u>	<u>DUE DATE</u>
Primary Budget Materials:		
Appropriation Language	III-3.1	Aug 28
Executive Budget Summary	III-3.1	Aug 28
Program Mission	III-3.8	Aug 28
Program Funding Profile	III-3.13	Aug 28
Program Funding By Site	III-3.19	Aug 28
Summary of Changes	III-3.21	Aug 28
Program Performance Summary	III-3.25	Aug 28
Program Direction	III-3.55	Aug 28
Capital Operating Expenses & Construction Summary	III-3.65	Aug 28
Project Data Sheets	III-3.69	Aug 28
Supplementary Materials:		
Special Exhibits for Power Marketing	III-4.1	Aug 28
Energy Information Administration (EIA)	III-4.1	Aug 28
Support Cost Estimates	III-4.7	Aug 28
Facilities Summary (Interior Programs)	III-4.9	Aug 28
Economic Regulatory Administration	III-4.12	Aug 28
Natural Gas Program	III-4.14	Aug 28
Estimate of Proprietary Receipts	III-4.16	Aug 28
Staffing Guidance and Requirements	III-4.16	Aug 28
Historically Black Colleges and Universities	III-4.16	Aug 28
Administrative Support Costs	III-4.19	Aug 28
Carryover Balances	III-4.19	Aug 28
Naval Petroleum & Oil Shale Reserve		
Production/Revenue Report	III-4.19	Aug 28
Secretary's Reportable Problems under (FMFIA)	III-4.23	Aug 28
Planning and Budgeting for the Acquisition of Capital Assets	III-4.29	Aug 15
Grants	III-4.50	See below*
Motor Vehicles	III-4.50	Aug 28
Receipt Estimates	III-4.50	Aug 28
Financial Management Activities	III-4.51	Aug 28
Research and Development Information	III-4.51	Aug 28
Crosscut Materials:		
Environment, Safety and Health Crosscut	III-5.1	Aug 28
Safeguards and Security Crosscut	III-5.5	Aug 28
Information Management Crosscut	III-5.12	Aug 28

***These materials are due after final budget decisions have been made by OMB.**

**DEPARTMENT OF ENERGY
FY 1999 OMB BUDGET SUBMISSION**

GENERAL GUIDANCE

This attachment provides guidance for developing FY 1999 OMB budget requests. Each section of this attachment should be carefully reviewed for important policy changes and to determine the exact reporting requirements for your organization. As a reminder, OMB budgets should be viewed as the draft FY 1999 Congressional submission. This approach should result in refined budget narratives that succinctly describe to Congress the expected program accomplishments (outputs and outcomes) at the funding level requested. The Program draft budget submissions are due to the Office of Budget on August 28, 1997, with final submission due September 4, 1997.

<u>GUIDANCE ITEM</u>	<u>PAGE</u>
Funding Levels	D-2
Formats for EWD Funded Programs	D-2
Interior Funded Programs	D-2
Comparable Budget Submission	D-3
Economic Assumptions	D-3
Submission Requirements	D-4
*Full Funding of Fixed Assets	D-4
*Project Data Sheet Format	D-5
*Exhibit 300B, Capital Asset Plan and Justification Report	D-5
*Over Target Initiatives	D-5
*Funding Surplus Facilities	D-5
*Re-Engineering Waste Management	D-6
*Budgeting for Alternative Fueled Vehicles (AFVs)	D-6
Annual Performance Plan	D-7
*Potential Change in General Plant Project Threshold	D-7
Historically Black Colleges and Universities	D-7
Staffing	D-7
Budgeting for Disposal of Fixed Assets	D-7

* Notes change or new requirement

GENERAL GUIDANCE

Funding Levels

The Acting Chief Financial Officers' memorandum dated August 6, 1997, subject: Funding Allowances for the FY 1999 Budget, provides program guidance and funding allowances for preparing the OMB budget request. The control table provided at Attachment E reflects these decisions and adjustments made during the appeals process. If programs want to reallocate funds they must first request approval from the CFO to assure consistency with Departmental guidance. Programs are reminded that a completed FY 1999 statistical table is due with the OMB budget materials on August 28. Questions on the control table funding levels at Attachment E should be directed to John Hardman (CR-13) on 202/586-4978.

Formats for EWD programs

The Department has made improvements in the overall presentation and quality of the Department's budget request. During our spring lessons learned meeting, the EWD staff did not recommend any changes to the Department's FY 1998 Congressional budget formats. Therefore, the FY 1998 Congressional Budget formats will be used for the FY 1999 OMB budget justification. As a reminder, programs are to comply with the FY 1998 House of Representatives Energy and Water Development Report (H.R. 2203) which clarifies that all support service contracts are to be budgeted in the program direction account for each organization regardless of whether support services are in support of program mission or Federal FTEs. For further information on EWD requirements, see the OMB Budget Review Chapter of the DOE Budget Formulation Handbook. Questions on formats should be directed to Roy Craig (CR-13) on 202/586-3455.

Interior Funded Programs

As a reminder, while budget formats did not change for Interior and Related Agencies funded programs, budget narratives for Interior programs should also be improved to provide more meaningful and concise performance information. Interior funded programs should also describe past and planned program accomplishments in the Key Activity format.

Comparable Budget Submission

The FY 1999 OMB budget requests will be submitted on a comparable basis and the Congressional budget will be submitted noncomparable. As you are aware, the EWD subcommittees have expressed their dissatisfaction with continuing program structure

changes. Therefore, structure changes shall be limited to only those approved by the Office of Budget and the subcommittees. Approved structure changes require the completion of the comparability matrix provided in the Corporate Review Chapter of the DOE the Budget Formulation Handbook. Questions concerning the budget structure may be directed to Steve Baker (CR-13) on 903-4795.

Economic Assumptions

Provided below are the operating expense activities and federal personnel costs using the July 25, 1997, OMB (1998 Mid-Session Review) prescribed inflation rates as provided below. For planning purposes, rates provided below represent the most current rates received from OMB to date and should be used unless notified otherwise.

<u>Budget Year</u>	<u>Operating Expenses</u>	<u>Pay and Personnel Related</u>
FY 1999	2.6	See Below
FY 2000	2.6	4.1
FY 2001	2.6	4.1
FY 2002	2.6	4.1
FY 2003	2.6	4.1
FY 2004	2.6	4.1

For FY 1999 planning purposes, OMB has directed that agencies assume a 3 percent pay raise for civilian employees that cover combined locality pay increases and the across the board salary increase effective January 1999. The final decision on the 1999 pay raise for the President's FY 1999 Budget will be made during the fall budget review process. Pay assumptions for the outyears will also be decided at that time. Questions on economic assumptions should be directed to Roy Craig (CR-13) at 202-586-3455.

The Office of Field Management (FM) is responsible for construction project inflation rates. The latest update is January 1997 and is provided at the end of this attachment for your convenience. These rates should be used in any new project estimate or estimate update. Questions on inflation rates for construction projects should be directed to FM-20.

Submission Requirements (Hard Copy and Electronic Copy)

Please refer to Attachment C to determine the OMB Circular A-11 and other supplementary submission requirements for your organization. As reminded all budget formats are to be printed in 10 point Arrus BT typeface in landscape orientation. The OMB budget process requires both draft and final submissions. Program organizations are requested to transmit their draft non-classified budgets to the Office of Budget through e-mail (or hand carried diskette) in addition to a hard copy submission. Electronic transmission will expedite delivery of budget materials, significantly reduce copying costs, and allow more time for budget analysis. After CFO review, CR analysts will then transmit **draft** OMB submissions back to program offices with annotated suggestions and recommendations for improvement. Final OMB submissions are requested in hard copy with an updated electronic copy.

Draft budgets are due August 28, 1997. Five hard copies of nonclassified draft budgets are due to the Office of Budget (CR-132) located at FOR 4A-105. Supplementary/ crosscut materials should also be submitted to the Office of Budget, unless specific guidance directs otherwise. **Two** copies of classified budgets should be submitted directly to Thomas Calhoun of the Office of Budget Defense Branch (CR-144) located at GTN D-228. **One** copy of classified budgets should also be submitted directly to Marty Newdorf, FM-20, FORS/1F-017, and Jon K. Schafer, Office of National Security Analysis (PO-51) FORS/8F-089.

Final budget submissions are due to the Office of Budget on September 4. One original and two copies should be submitted to either the Budget Formulation Branch (non-classified budgets), or the Defense Branch (classified budgets).

Full Funding of Fixed Assets

OMB has changed its approach regarding the full funding of fixed assets. This year OMB has directed that capital projects be fully funded by using incremental budget authority for the budget year plus advance appropriations for the outyears necessary to fully fund current and proposed construction projects. Obligations in the budget year and outyears shall equal the amount of appropriations that would have been requested if the incremental funding policy were still in place. The request for advance appropriations must be written in the appropriation language which funds the project.

Project Data Sheets

At the direction of OMB, the project data sheet format has been modified to eliminate redundancy in meeting reporting requirements for the Federal Acquisition Streamlining Act, (FASA) Title V, and OMB Circular A-11, Part III, Planning, Budgeting and Acquisition of Capital Asset Reporting. Also, OMB has agreed that projects will not be baselined for performance reporting until after completion of Title I Design. For further information see the OMB Budget Review Chapter in the Budget Formulation Handbook. Questions may be directed to Roy Craig, CR-13 on 586-3455.

Exhibit 300B, Capital Asset Plan and Justification Report

For FY 1999, OMB revised DOE's dollar threshold and reporting format for OMB A-11, Part III, Exhibit 300B, Capital Asset Plan and Justification report. The revised dollar threshold includes all line item construction PACE funded projects with total estimated cost (TEC) greater than or equal to \$20 million for which new budget authority is requested in FY 1999 or for which the uncosted balances are equal to or greater than \$10 million as of September 30, 1997. The new report, the OMB A-11 Project Status Report replaces Exhibit 300B. The Department is also required to submit a preliminary performance report base upon FY 1997 third quarter data (June 30) projected through September 30 with the Department's OMB budget request. A final report will be submitted to OMB after yearend closing along with a financial report on the status of funding for all construction projects. For additional information, see the OMB Budget Review Chapter in the Budget Formulation Handbook. Questions may be directed to Roy Craig, CR-13 on 586-3455 or Pete Devlin, FM-20, on 586-4905.

Over Target Initiatives

Generally, over target initiatives will budgeted for in a separate volume. However, some programs may be required to include the initiative as part of their main budget justifications. Additional guidance will be provided under separate memorandum for the over target initiatives in the near future.

Funding Surplus Facilities

In FY 1999, no new facilities will be transferred to Environment Management for cleanup. Defense Programs, Energy Research and Nuclear Energy will include necessary funding in their budget requests to cover the cost for maintenance, surveillance, and satisfy any safety issues. Questions may be directed to Bob Savino, CR-14 at 202-586-3784.

Re-Engineering Waste Management

In FY 1998 the Department initiated the pilot Re-Engineering Waste Management Program at select sites, under which the financial and, in most cases, managerial responsibility for newly generated wastes were transferred from the Office of Environmental Management to the waste generating program. The transfers, which included both waste costs and appropriate program direction funds, were coordinated with the Office of Management and Budget as formal budget target transfers between Departmental organizations. For the purpose of the FY 1999 OMB budget request formulation, the continuation of these pilots (detailed below) throughout FY 1999 should be assumed. The responsible programs should work to ensure that the FY 1999 request provides sufficient funds to manage the volumes of waste currently forecast to be generated as a result of planned FY 1999 activities. No additional pilots will be initiated in FY 1999. OMB is in the process of evaluating the merits of the pilot program. Any questions regarding the pilots sites and the funding transfers may be directed to Christine Gelles, CR-14 at 202/586-2303. The Office of the CFO will work to ensure that all formal budget transfers necessary are coordinated with OMB during their review of the Department's budget request.

FY 1998 Re-Engineering Waste Management Pilot Sites:

<u>Site</u>	<u>Program Responsible</u>	<u>FY 1998 Amount</u>
Kansas City	DP	\$7.1M
Savannah River (tritium)	DP	\$1.1M
Fermilab	ER	\$2.3M
SLAC	ER	\$2.8M
ANL-W	NE	\$1.9M

Budgeting for Alternative Fueled Vehicles (AFVs)

OMB has reminded the Department of the Administration's commitment to the use of alternative-fueled vehicles (AFVs) and requires that AFV data be included in the OMB budget submission. The Energy Policy Act of 1992 (EPACT) requires that 75% of light-duty vehicles acquired in FY 1999 be AFVs. Data compiled on a Department-wide basis indicates that we are in compliance with the EPACT. A spreadsheet will be provided to each program with the number of vehicles and funding levels required to meet the EPACT requirement. Any proposed changes to either the funding levels required or the numbers of vehicles acquired must first be coordinated with the Chief Financial Officer to assure that it does not affect compliance with EPACT.

Annual Performance Plan

As a reminder, the Government Performance and Results Act (GPRA) requires each Federal agency to prepare annual performance plan covering each program activity set forth in the budget beginning with FY 1999. The DOE Annual Performance Plan will be developed and submitted with the FY 1999 OMB budget. Questions on the Annual Performance Plan may be directed to William Kennedy (PO-4) on 586-0423.

Potential Change in General Plant Project Threshold

The dollar threshold for general plant projects (GPP) is \$2 million. However, as we move through the FY 1999 budget cycle, there is the possibility that the GPP limitation could be raised from \$2 million to \$5 million. A proposal is pending to increase the GPP limitation and the matter must be resolved during conference between the House and the Senate. If Congress passes language that would increase the GPP threshold, this information will be provided to you at the earliest date possible.

Historically Black Colleges and Universities

As a reminder, program organizations are to participate in the Department's goals for Historically Black Colleges and Universities and Minority Educational Institutions. Participation includes, but is not limited to, grants, contracts, or cooperative agreements with these institutions. In addition, all program offices will participate in educational programs that combine the scientific and technical research competencies of DOE and its laboratories with our mission of higher education. Additional guidance is contained in the OMB Budget Chapter of the Budget Formulation Handbook. Questions may be directed to Annie Whatley (ED-2) on 586-0821.

Staffing

As in the recent past, the Department is operating in an era of constrained staffing resources. All organizations should examine and document internal redeployment opportunities that allow staffing resources to be shifted to fulfill high priority requirements. For advice and assistance, please contact Tom Wheeler of the Staffing Management Branch (HR-61) on 586-3276.

Budgeting for Disposal of Fixed Assets

As a reminder, programs are reminded that increased emphasis is being given to disposal of unneeded DOE assets, that is transfer or demolition of existing facilities that drain operating and maintenance funds without contributing sufficiently to mission accomplishment. Programs should budget adequately for the efforts/actions that must occur prior to disposal of assets, such as environmental actions, as well as

for the actual transfer actions or demolition. Questions on budgeting for disposal of fixed assets may be directed to Richard Mizell (FM-20) 903-3502.

DEPARTMENTAL PRICE CHANGE INDEX**January 1997 Update****FY 1999 GUIDANCE****ANTICIPATED ECONOMIC ESCALATION RATES****DOE CONSTRUCTION PROJECTS**

<u>FISCAL YEAR</u>	<u>ENERGY RESEARCH & NUCLEAR</u>		<u>FOSSIL</u>		<u>CONSERV/SOLAR</u>		<u>DEFENSE PRG/ GEN CONSTR</u>	
	<u>INDEX</u>	<u>% CH</u>	<u>INDEX</u>	<u>% CH</u>	<u>INDEX</u>	<u>% CH</u>	<u>INDEX</u>	<u>% CH</u>
1997	.976	2.1	.976	1.9	.978	1.8	.978	2.6
1998	1.000	2.5	1.000	2.5	1.000	2.3	1.000	2.2
1999	1.028	2.8	1.028	2.8	1.027	2.7	1.024	2.4
2000	1.059	2.9	1.057	2.9	1.055	2.8	1.053	2.8
2001	1.090	2.9	1.087	2.8	1.084	2.7	1.081	2.7
2002	1.122	3.0	1.118	2.9	1.115	2.8	1.111	2.8
2003	1.158	3.2	1.153	3.1	1.148	3.0	1.142	2.8

These indices are to be in effect for one year, with the next guidance coming in January 1997. Based on the materials and labor data contained in the Energy Supply Planning Model and appropriate escalation rates forecasted by Data Resources, Incorporated, it would be expected that DOE projects conform to those rates shown above. Guidelines for the implementation of DOE Order 430.1 LIFE-CYCLE ASSET MANAGEMENT, recommend that any local rates different from those above be submitted to the Office of Project and Fixed Asset Management for approval, prior to their use. Additional advice and assistance can be obtained from the Associate Deputy Secretary for Field Management, Office of Project and Fixed Asset Management (202) 586-9029.

DEPARTMENTAL PRICE CHANGE INDEX**January 1997 Update****FY 1999 GUIDANCE****ANTICIPATED ECONOMIC ESCALATION RATES****ENVIRONMENTAL RESTORATION & WASTE MANAGEMENT PROJECTS**

FISCAL YEAR	<u>ENVIRONMENTAL RESTORATION</u>		<u>WASTE MANAGEMENT</u>	
	<u>INDEX</u>	<u>%CHANGE</u>	<u>INDEX</u>	<u>%CHANGE</u>
1997	.976	2.4	.980	1.9
1998	1.000	2.5	1.000	2.1
1999	1.028	2.8	1.026	2.6
2000	1.057	2.9	1.053	2.7
2001	1.189	3.0	1.082	2.8
2002	1.122	3.0	1.112	2.8
2003	1.156	3.0	1.144	2.9

These indices are to be in effect for one year, with the next guidance coming in January 1997. Based on the materials and labor data contained in the Energy Supply Planning Model and appropriate escalation rates forecasted by Data Resources, Incorporated, it would be expected that DOE projects conform to those rates shown above. Guidelines for the implementation of DOE Order 430.1 LIFE-CYCLE ASSET MANAGEMENT, recommend that any local rates different from those above be submitted to the Office of Project and Fixed Asset Management for approval, prior to their use. Additional advice and assistance can be obtained from the Associate Deputy Secretary for Field Management, Office of Project and Fixed Asset Management (202) 586-9029.

Attachment E

FY 1999 Budget Control Table